

**Comments of the Local Government Sustainable Energy Coalition on  
Implementation of Assembly Bill 2466**

**January 16, 2009**

**I. INTRODUCTION**

The Local Government Sustainable Energy Coalition (“LGSEC”)<sup>1</sup> submits these comments based on the discussion at the January 8, 2009 workshop on Assembly Bill 2466, led by the Energy Division of the California Public Utilities Commission (“CPUC”). The LGSEC thanks the CPUC for providing an opportunity to participate in shaping the implementation of this bill. Successful implementation of AB 2466 will depend in large part on how the bill credit is calculated, and the ability to obtain incentives under the California Solar Initiative.

**II. LOCAL GOVERNMENT INTEREST IN AB 2466**

Many local governments have a keen interest in energy efficiency and renewable energy. Under AB 32, the Global Warming Solutions Act, local governments are expected to reduce their greenhouse gas emissions to help achieve California its State-wide targets. Local governments are stepping up to the challenge. Local governments have in their portfolios properties such as closed landfills, parks, available land at wastewater treatment plants, and single-story buildings where there is a low electrical load but where cost-effective renewable energy systems can be installed. AB 2466 allows local governments to apply a bill credit to benefiting accounts at urban and multi-story buildings with high energy consumption but limited space for renewable energy system installations. Hence, this bill has the potential to unlock opportunities for local

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<sup>1</sup> The Local Government Sustainable Energy Coalition includes: the Association of Bay Area Governments, the Association of Monterey Bay Area Governments, the City of Huntington Beach, the City of Irvine, the City of Pleasanton, the City of Santa Monica, the County of Los Angeles, the County of Marin, the County of Ventura, the Energy Coalition, the South Bay Cities Council of Governments. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC’s Board.

governments to more widely deploy renewable energy systems across their portfolios of properties.

It is becoming very clear that as California implements AB 32, local governments will have many new challenges and opportunities. A key challenge faced by local governments in the current economic climate is that renewable energy has to make sense both environmentally and financially. As the ability to raise funds from the public is limited, local governments are obliged to ensure that renewable energy projects have a reasonable rate of return and are supported by the financials of the project.

While we are yet at the preliminary stage of the development of the details on how AB 2466 will be implemented, there are two potential challenges that will need to be addressed to ensure the financial viability of projects under AB 2466. The first is the methodology used to calculate the bill credit. The second is the application of incentives from the California Solar Initiative.

### **III      METHODOLOGY USED TO CALCULATE BILL CREDIT**

AB 2466 legislation defines the methodology for calculating the bill credit as follows:

*“Bill Credit” means an amount of money credited to a benefiting account that is calculated based upon the time-of-use electricity generation component of the electricity usage charge of the generating account, multiplied by the quantities of electricity generated by an eligible renewable generating facility that are exported to the grid during the corresponding time period.*

Because the amount of the bill credit is based on the time-of-use generating component<sup>2</sup> of the rate tariff only, our initial financial analyses show that many renewable energy projects may not be financially viable with existing rate tariffs available from the investor-owned utilities. The LGSEC urges the CPUC to consider options to address this issue, as it could potentially restrict the number of projects that could be developed under AB 2466. Several alternatives are available to address this.

One possible approach is to develop a new rate tariff that provides a higher time-of-use premium on the generation component of the rate tariff during the period when the renewable energy system is likely to generate the most electricity. This approach may support solar projects that have highest electricity output during the peak hours of noon to 6 pm during the summer. A new “Winter-On-Peak” rate may need to be established to ensure that bill credits generated outside the summer months still benefit from a high generation component of the rate tariff during the daytime hours<sup>3</sup>.

A second option to adjusting the rate tariffs would be to create a rate tariff with a high generation component but lower transmission, distribution, and demand components. This may be applicable for renewable systems such as landfill gas systems with no defined periods of maximum electrical generation. Because the renewable energy systems that will be installed under this program are essentially distributed generation systems, they will use only distribution lines, and for short distances.

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<sup>2</sup> The typical rate tariff includes transmission, distribution, and generation charges based on KWH, and demand charges based on KW. There are additional charges such as customer charge, tax, and reimbursements for stranded costs such as nuclear decommissioning.

<sup>3</sup> Under existing rate tariffs, the on-peak rates are applicable from noon to 6 pm during the summer months only. Only mid-peak and off-peak rates are applicable during the balance of the year.

The development of the appropriate rate tariffs to support AB 2466 would require detailed analyses and are beyond the scope of these comments. LGSEC looks forward to reviewing any draft proposed rate tariffs as we move forward, as this remains a critical issue in ensuring successful implementation of AB 2466 projects.

Finally, during the workshop the joint utilities presented a scenario in which the “generating account” would also be a “benefiting account,” and therefore only receive the benefit of the billing credits. We would like to clarify that this is not a requirement of the legislation. The legislation only requires that the billing credit be applied to the “benefiting account.” Therefore, the host facility is free to receive the same treatment and benefits of net metering, and any excess generation would then be used to calculate the billing credits.

#### **IV. AVAILABILITY OF CALIFORNIA SOLAR INITIATIVE OR OTHER INCENTIVES**

Based on the workshop presentation, it appears that there is a question about whether the exported electricity component of the project is eligible for California Solar Initiative or other renewable energy incentives. The CPUC must ensure that these incentives are available. The renewable energy projects at the scale of up to 1 MW still require these subsidies to be financially viable. We also question the rationale for limiting the CSI and other incentives for AB 2466 type projects. The intent of AB 2466 is to work around the mismatch between accounts with available space for renewable energy but limited load, and accounts with a high load but limited space. Because the owner of the generating and benefiting accounts is the same entity, AB 2466 projects should be eligible for the incentives based on the total installed capacity and electrical output of the system.

The LGSEC looks forward to working with the CPUC and the utilities engaged in the development of AB 2466, and remains available to participate in future workshops or review draft documents such as proposed rate tariffs applicable to this program. We encourage the CPUC to hold any further deliberations on this matter in Southern California, as there are many interested local governments in that region who cannot, given resource constraints, travel to San Francisco.

AB 2466 holds great promise to unlock potential sites for distributed renewable energy and help the State of California meets its Greenhouse Gas emission reduction targets.

Respectfully Submitted,

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